

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Appropriations

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BILL: CS/SB 66

INTRODUCER: Appropriations Committee; and Senators Flores and Margolis

SUBJECT: Discretionary Sales Surtaxes

DATE: March 31, 2014

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Letarte</u>	<u>Klebacha</u>	<u>ED</u>	<b>Favorable</b>
2.	<u>White</u>	<u>Yeatman</u>	<u>CA</u>	<b>Favorable</b>
3.	<u>Cote</u>	<u>Diez-Arguelles</u>	<u>AFT</u>	<b>Favorable</b>
4.	<u>Cote</u>	<u>Kynoch</u>	<u>AP</u>	<b>Fav/CS</b>

**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Technical Changes

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**I. Summary:**

CS/SB 66 authorizes a new discretionary sales surtax under s. 212.055, F. S., which is titled the "Higher Education Surtax." The bill allows a county, as defined in s. 125.011(1), F.S., to levy a voter-approved sales surtax of up to 0.5 percent for the benefit of a Florida College System (FCS) institution and a state university located in the county. The FCS institution and state university are to receive 90 percent and 10 percent, respectively, of the surtax proceeds. Currently, Miami-Dade County is the only county eligible to levy this surtax. The bill also establishes procedures and requirements for surtax deposits, investments, and usage. An oversight board will review and then accept or amend the expenditures of the surtax proceeds. An approved Higher Education Surtax expires after five years.

The Revenue Estimating Conference determined that if Miami-Dade County levies this tax, it will generate \$234.7 million annually.

The bill takes effect upon becoming law.

## II. Present Situation:

### Local Discretionary Sales Surtax

A “surtax” is an “additional tax imposed on something being taxed or on the primary tax itself.”<sup>1</sup> Section 212.055, F.S., authorizes counties to impose eight, local, discretionary sales surtaxes, including the:

- Charter County and Regional Transportation System Surtax,
- Local Government Infrastructure Surtax,
- Small County Surtax,
- Indigent Care and Trauma Center Surtax,
- County Public Hospital Surtax,
- School Capital Outlay Surtax,
- Voter-Approved Indigent Care Surtax, and
- Emergency Fire Rescue Services and Facilities Surtax.<sup>2</sup>

Currently, the maximum surtax actually imposed is 1.5 percent in several counties.<sup>3</sup> The discretionary sales surtax is based on the applicable rate in the county where the taxable goods or services are sold, or delivered, and is levied in addition to the state sales tax.<sup>4</sup> The sales amount is not subject to the surtax if the property or service is delivered within a county that does not impose a surtax.<sup>5</sup> The discretionary sales surtax applies to the first \$5,000 of the sales price of any item of tangible personal property. The \$5,000 cap does not apply to:

- Sales of admissions,
- Sales of warranties,
- Sales and uses of services,
- Charges for prepaid calling arrangements,
- Leases, rentals, and licenses to use real property or transient accommodations,
- Leases or renting of parking or storage space for motor vehicles in parking lots or garages,
- Docking or storage space in boat docks and marinas, and
- Tie-down or storage space for aircraft.<sup>6</sup>

Miami-Dade County currently imposes two local discretionary surtaxes: the Charter County Transit System Surtax at a 0.5 percent rate and the County Public Hospital Surtax at a 0.5 percent rate.<sup>7</sup>

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<sup>1</sup> *Black's Law Dictionary* 704 (3d ed. 2006).

<sup>2</sup> Section 212.055(1)-(8), F.S.

<sup>3</sup> Florida Department of Revenue, *Discretionary Sales Surtax Information for Calendar Year 2014*, available at [http://dor.myflorida.com/dor/forms/current/dr15dss\\_1113.pdf](http://dor.myflorida.com/dor/forms/current/dr15dss_1113.pdf) (listing the following counties as having a 1.5% surtax rate in 2014: Calhoun, Escambia, Gadsden, Jackson, Leon, Liberty, Madison, Monroe, and Walton).

<sup>4</sup> Florida Department of Revenue, *Florida's Discretionary Sales Surtax*, available at <http://dor.myflorida.com/dor/forms/current/gt800019.pdf>.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> Office of Economic and Demographic Research, *2013 Local Discretionary Sales Surtax Rates in Florida's Counties*, available at <http://edr.state.fl.us/content/local-government/data/county-municipal/2013LDSSrates.pdf>.

## Postsecondary Education Institutions

Section 1000.21, F.S., provides system-wide definitions used within the Florida K-20 Education Code. There are 28 postsecondary educational institutions designated as FCS institutions.<sup>8</sup> Miami Dade College is the only FCS institution in Miami-Dade County. There are 12 state universities<sup>9</sup> and Florida International University is the only state university located in Miami-Dade County.<sup>10</sup>

## Home-Rule Charter Counties

Section 125.011(1), F.S., defines a county as:

. . . any county operating under a home rule charter adopted pursuant to ss. 10, 11, and 24, Art. VIII of the Constitution of 1885, as preserved by Art. VIII, s. 6(e) of the Constitution of 1968, which county, by resolution of its board of county commissioners, elects to exercise the powers herein conferred. Use of the word “county” within the above provisions shall include “board of county commissioners” of such county.

The local governments authorized to operate under a home rule charter by the State Constitutions of 1885 and 1968 are the city of Key West and Monroe County,<sup>11</sup> Dade County,<sup>12</sup> and Hillsborough County.<sup>13</sup> Of these, only Miami-Dade County operates under a home-rule charter, which was adopted on May 21, 1957, under this constitutional provision.<sup>14</sup>

Therefore, Miami-Dade County is the only county that comports with the description contained in s. 125.011(1), F.S. General laws applicable to Miami-Dade County, and only Miami-Dade County, have survived various legal challenges claiming that such general laws are, in actuality, special laws.<sup>15</sup>

<sup>8</sup> Section 1000.21(3), F.S.

<sup>9</sup> Section 1000.21(6), F.S.

<sup>10</sup> Florida International University, *Campuses*, <http://www.fiu.edu/about-us/campuses/index.html> (last visited Feb. 10, 2014).

<sup>11</sup> Art. VIII, s. 6, n. 2, Fla. Const.

<sup>12</sup> Art. VIII, s. 6, n. 3, Fla. Const.

<sup>13</sup> Art. VIII, s. 6, n. 4, Fla. Const.

<sup>14</sup> Miami-Dade County Florida, *The Home Rule Amendment and Charter*, available at <http://www.miamidade.gov/charter/library/charter.pdf>; see Hillsborough County Florida, *Home Rule Charter*, <http://www.hillsboroughcounty.org/DocumentCenter/Home/View/376>, Creation: Section 1.01 Chartered County (last visited Feb. 10, 2014) (providing that the county is chartered under Article VIII, Section 1 of the Florida Constitution as opposed to Article VIII, Section 6 of the Florida Constitution); Monroe County Florida, *County Commission*, <http://www.monroecounty-fl.gov/index.aspx?NID=27> (last visited Feb. 10, 2014) (citing Article VIII, Section 1 of the Florida Constitution stating “[e]xcept when otherwise provided by county charter, the governing body of each county shall be a [b]oard of [c]ounty [c]ommissioners composed of five [or seven] members serving staggered terms of four years,” on the page titled “County Commission” and displaying five “Commission Members”); see also Florida Association of Counties, *Charter County Information*, <http://www.fl-counties.com/about-floridas-counties/charter-county-information> (last visited Feb. 10, 2014) (listing the twenty chartered counties in Florida, which does not include Monroe).

<sup>15</sup> *Metropolitan Dade County v. Golden Nugget Group*, 448 So.515 (Fla. 3<sup>rd</sup> DCA 1984), *aff’d*, 464 So.2d 535 (Fla. 1985); *Homestead Hospital v. Miami-Dade County*, 829 So.2d259 (Fla. 3<sup>rd</sup> DCA 1992).

### **Previous Tax in Miami-Dade County for the Benefit of Miami Dade College**

A referendum in September 1992 authorized Miami-Dade County to levy an ad valorem tax of  $\frac{3}{4}$  of a mill, exceeding the constitutional millage limitation, for a two-year period.<sup>16</sup> The proceeds of the tax were “for the purpose of maintenance, improvement, and expansion of occupational, vocational, and educational programs at the College.”<sup>17</sup> The proceeds of the 1992 referendum were approximately \$94 million and were deposited into the College’s quasi-endowment fund.<sup>18</sup> As of June 30, 2011, the College noted a total of \$86.1 million in quasi-endowment investments.<sup>19</sup>

### **III. Effect of Proposed Changes:**

This bill amends s. 212.055, F.S., to add a ninth discretionary sales surtax, known as the Higher Education Surtax. A county as defined in s. 125.011(1), F.S., is authorized to levy up to a 0.5 percent surtax for the benefit of a FCS institution and a state university located in the county. The surtax requires an ordinance conditioned upon approval by a majority of county electors voting in a referendum. The ordinance must be enacted by the governing body of the county before June 1 of the year in which the referendum is held. The referendum must be scheduled for the next available countywide election after June 1.

The ordinance must outline a plan, developed by each of the institutions’ board of trustees, for using the surtax proceeds for the benefit of the FCS institution and state university. Proceeds of the surtax must be set aside and invested as allowed by law, with the principal and income to be used for purposes including, but not limited to, maintenance, improvement, and expansion of academic and workforce training programs, teaching enhancements, capital expenditures and infrastructure projects, and fixed capital costs. A state university may use the surtax proceeds for land acquisition for parcels that are contiguous with its existing main campus.

The bill states that costs associated with the referendum must be paid with funds from private sources or with college auxiliary funds and may not be paid with student fees or moneys an institution receives from the state. The county must provide at least 30 days’ notice of the election. Referendum ballot guidelines are specified and include a question format currently utilized for other discretionary surtax referenda. Ninety percent of the proceeds from the surtax must be deposited into a Florida Prime account managed by the State Board of Administration for use by the FCS institution, and 10 percent of the surtax proceeds must be deposited into a Florida Prime account managed by the State Board of Administration for use by the state university.

Upon approval of the referendum, an oversight board is charged with accepting or amending expenditures of the surtax proceeds. Each institution must prepare annual plans specifying how the board of trustees intends to allocate the surtax proceeds. Appointment requirements are

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<sup>16</sup> State of Florida Auditor General, *Miami Dade College: Financial Audit for the Fiscal Year Ended June 30, 2011*, 27 (2012), available at <https://www.mdc.edu/businessaffairs/Papers/Documents/MDC%20AFR%202010-11%202012-155.pdf>.

<sup>17</sup> *Id.*

<sup>18</sup> State of Florida Auditor General, *supra* note 18 at 27.

<sup>19</sup> *Id.*

outlined for the nine-member board. Members are appointed by the governor, serve a four-year term and may be reappointed.

Annual apportionment of state funds to an FCS institution or a state university may not be reduced because the institution or university has received surtax funds. A discretionary sales surtax approved by voters expires after five years. A county that levies a Higher Education Surtax may not propose another referendum for the surtax for at least 20 years after the expiration of the surtax.

The bill takes effect upon becoming law.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

Article III, s. 11(a)(2) of the Florida Constitution states that there “shall be no special law or general law of local application pertaining to: . . . assessment or collection of taxes for state or county purposes.”

A special law, as defined by the Florida Supreme Court, is a law that is “relating to or designed to operate on, particular persons or things, or one that purports to operate on classified persons or things when classification is not permissible or the classification adopted is illegal.”

In contrast, a general law “operates universally throughout the state, uniformly upon subjects as they may exist throughout the state, or uniformly within a permissible classification.” The Legislature has wide discretion in creating classifications provided the classifications are reasonable. A classification by the Legislature carries a presumption of reasonableness.

This bill authorizes counties, as defined in s. 125.011(1), F.S., to levy a non-ad valorem surtax. Three counties are potentially eligible to levy the bill’s surtax in the future; however, only Miami-Dade County is currently eligible to levy the surtax.

Section 125.011(1), F.S., is referenced in 13 chapters of Florida Statutes a total of 26 times. Legal challenges claiming that these general laws are, in actuality, special laws have failed.

**V. Fiscal Impact Statement:**

**A. Tax/Fee Issues:**

The Revenue Estimating Conference determined that, if Miami-Dade County levies the tax authorized by CS/SB 66, it will generate \$234.7 million annually.

**B. Private Sector Impact:**

Sales tax on purchases would increase in Miami-Dade County if an ordinance is approved to levy the Higher Education Surtax up to 0.5 percent. The Higher Education Surtax expires five years after the effective date of the surtax.

**C. Government Sector Impact:**

Miami Dade College and Florida International University would receive surtax proceeds if an ordinance is approved to levy the Higher Education Surtax. The Higher Education Surtax expires five years after the effective date of the surtax.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 212.055 of the Florida Statutes.

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Appropriations on March 27, 2014:** The committee substitute makes technical changes to clarify that the ordinance must be enacted by the government body of the county before June 1 of the year in which the referendum is to be held. The referendum must be scheduled for the next available countywide election after June 1. A county that levies the Higher Education Surtax may not propose another referendum for the surtax for at least 20 years after the expiration of the surtax. The bill also provides appointment requirements for an oversight board, composed of nine members appointed by the Governor.

B. Amendments:

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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